



**Trip Report:  
Training to SACU Customs Officials on  
WTO Agreement on Customs Valuation**

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**Travel Dates: December 7 – 13, 2003**

**Submitted by:**  
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## **Executive Summary**

### **I. Purpose of the trip and expected results**

Provide training to SACU Customs trainers and operatives on the WTO Agreement on Customs Valuation, thereby increasing the capacity of Customs officials to implement a more predictable and transparent valuation system.

### **II. Location(s) visited and dates**

Mbabane, Swaziland, December 7 – 12, 2003

### **III. Attendance**

There were 33 participants from Botswana, Namibia, South Africa and Swaziland. Lesotho, although invited, failed to send any delegates. The group consisted of Customs trainers and operatives from the Valuation, Inspectorate and Post and Pre-Clearance Audit Sections. (See Annex 1 for the participant list).

### **IV. Main Outcomes**

The workshop began with the basics and background of Customs valuation, and then went deeper into the various WTO Valuation methods, when to use them and the adjustments to be made in order to arrive at a correct value for Customs duty purposes. The final sessions addressed practical issues like valuation fraud and how to unearth this and protect revenue. A special presentation was made on organizational structure of a typical valuation section in a Customs Administration and the relevance of a Customs Post Clearance Audit Section.

The workshop equipped the officers with modern techniques in Customs valuation matters, and as a lot of literature was handed out, the knowledge gained will be passed on to other officials through the SACU region.

## **Detailed workshop notes**

### **Introduction**

Usually, import duties are charged as a percentage of the value (*ad valorem*) of the goods. The percentage is shown as the rate of duty in the Customs tariff schedule. The value is normally the amount of money that the importer has paid for the goods, to which may be added certain costs, e.g. the freight and insurance up to the point where the goods enter the importing country. Usually, this value is shown in the invoice that the supplier provides the importer.

In an effort to evade duties and taxes though, importers may under-declare the value and support this with a false or fake invoice. On the other hand, the importer may declare a true value but the Customs officer may think that the value is too low to be true and raise it on the basis of purely subjective criteria to what he may consider a true value. Individual governments and Customs administrations may also prescribe valuation systems that are not in keeping with commercial practice and that may result in fictitious values and in barriers to international trade.

Customs valuation has become a matter of international interest because it can easily be abused with dire consequences on international trade and on the legitimate revenue interests of the state. The Tokyo Round of the General Agreement on Tariffs and Trade (GATT) recognized the need to prescribe the transaction price as the value for Customs purposes and to stipulate alternative methods for valuing goods where the transaction price is not acceptable to the Customs. The GATT (subsequently WTO) valuation rules are contained in the WTO Agreement on Customs Valuation (ACV), which all members of WTO were required to implement by January 2000.

The objectives of the ACV are to establish a valuation system that conforms to commercial practice and that is transparent and objective, does not vest discretion to Customs officials, and facilitates international trade. However, the Agreement is very technical, and its incorrect implementation can result in loss of revenue or jamming of borders and ports with un-cleared imports.

### **Need for Hub Training for SACU Customs Officials**

All the SACU countries have based their valuation legislation on the WTO ACV. However, Customs administrations, particularly that of Swaziland, had been having problems with valuation, especially of second hand goods like motor vehicles and used clothes; these were often under-valued. There were other problems of valuation fraud, and a number of Swazi Customs officials in the field had not been trained at all in Customs valuation.

During the stakeholders' symposium organized by the Hub in August 2002, the delegation of Swaziland included training in Customs valuation in their country needs. The Commissioner of Customs, Mr. L. M. Vilakazi, also mentioned the request for assistance in valuation when the Hub manager, Dr. Ron Stryker and Randy Peterson of RCSA visited Swaziland in June 2003.

The Hub consulted the other SACU countries to establish whether they had a similar training need so that the Hub could organize a workshop for all SACU countries. The other Customs administrations felt that a national workshop for Swaziland alone would be more appropriate since Swaziland needed to take the opportunity to provide training to the officials who had not at all been trained. However, at the request of the Hub, the Customs administrations of Botswana, Namibia and South Africa each agreed to send one senior official with valuation

experience to participate in the workshop so that they could share their country experience with their Swazi colleagues. The Customs administration of Lesotho did not respond to the Hub's invitation to participate in the training.

### **Organization, Delivery and Logistical Support**

The Hub team was supported by the senior officials of Botswana, Namibia and South Africa in designing the course modules and the work programme. The Hub team presented the historical background to the WTO Agreement on Customs Valuation, a comparison of the Brussels Definition of Value (BDV) with the ACV, the policy role of the WTO as opposed to the technical implementation role of the World Customs Organization (WCO), the policy objectives of the ACV, and an overview of the six valuation methods of the ACV.

The Hub presentations were followed by presentations of the officials of the three countries. These included many examples demonstrating how the various valuation methods are applied in practice. The country-specific experiences of the officials made the workshop a very practical training event.

The individual presentations were followed by discussions and exercises in breakaway groups facilitated by all the presenters.

The Hub also provided logistical support, and met the cost of the conference package and the hotel accommodation of the three officials.

### **Participants to the Training**

A total of 30 Customs officials from Swaziland took part in the workshop, which was held in Mbabane, from the 7<sup>th</sup> to the 12 December 2003. The group consisted of field Customs officials, officials from Customs headquarters and Customs trainers. For most participants, this was their first course on the WTO Valuation system. For the few who had participated in earlier courses, this training served as a refresher course.

### **Course Programme**

The workshop began with the basics and background of Customs valuation, and then went deeper into the various WTO Valuation methods, when to use them and the adjustments to be made in order to arrive at a correct value for Customs duty purposes. The final sessions addressed practical issues like valuation fraud and how to unearth this and protect revenue. A special presentation was made on organizational structure of a typical valuation section in a Customs Administration and the relevance of a Customs Post Clearance Audit Section.

At the end of the course participants evaluated the event. They expressed satisfaction with the organization, the hotel accommodation, the course programme and delivery. The major factors contributing to the success of the training were the organization and logistics of the course, the course programme and the knowledge and experience of the trainers. The training met the expectations of the participants.

## **Main Outcomes**

The workshop equipped participants with modern Valuation techniques. They now understand better how to adjust the invoice price to take account of all dutiable elements, the various methods of valuing goods in the absence of a genuine or correct invoice, the nature of fraudulent transactions and how to deal with fraudulent declarations, the rights of the importer, how to value second hand goods , and much more.

From a management perspective, participants are expected to perform better at the workplace, and be more transparent in how they value goods. Breach of professional integrity can be detected more easily if management insists on the records to be kept and if they establish a Central Valuation Unit, which will provide rulings and serve as an internal appeals organ.

The ultimate outcome of the course is trade facilitation, and increased revenue especially resulting from a faster, more effective, and transparent way of valuing goods.

The Hub will develop a questionnaire to monitor the longer-term results of this workshop and follow up with country participants to determine how well the training lessons are applied.

## **Visit to the US Embassy**

Mr. Lyimo made an appointment for the Hub team to pay a courtesy call on the US Embassy in Mbabane, but only Mr. Munyaradzi was free at the time of the appointment. Mr. Munyaradzi met Lisa Kenna, Control Officer, who showed a very good knowledge of the Swazi Customs and especially on the administration's ability to control imported inputs for exports to the USA under AGOA. Lisa was assured that the Valuation course was also relevant for purposes of valuing such inputs.

## Annex 1: Participant's List

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